Reduction in economic cost of FCI

1221. SHRI SANJAY RAUT: Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

(a) whether Government have sought suggestions from some organizations during the last two years to reduce the economic cost of the Food corporation of India;

(b) if so, the names of those organizations alongwith the suggestions given by them; and

(c) the steps taken or proposed to be taken by Government to implement those suggestions?

THE MINISTER OF STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION (DR. AKHILESH PRASAD SINGH): (a) Yes, Sir.

(b) and (c) M/s McKinsey & Co. was engaged by the FCI to conduct a study to bring about substantial and sustainable efficiency improvements in the FCI's functioning, including, *inter-alia*, recommendations on new business models and structural changes, to reduce the subsidy burden while improving its effectiveness in meeting the Government of India's social objectives. M/s McKinsey & Co have submitted their report on 28th July, 2005.

The important recommendations made in the report are given in the statements (*See* below). The recommendations are at various stages of examination/implementation. To implement the recommendations contained in the report, a Programme Implementation Office (PIO) has been set up in FCI.

Statement

The important recommendations made in the report of M/s McKinsey & Co.

(I) Financing Cost Reduction:—

(a) Advance subsidy release linked to stock holding to reduce interest cost.

(b) Refinancing of buffer stock through issue of bonds.

(c) Refinancing of receivables through issue of bonds and/or term loan.

(II) Optimization of rail movement costs by using Linear Programming to generate least cost linkages for movement of food grain rakes between the source and destination stations.

(III) Consolidation of handling and transport contracts to reap the benefit of economies of scale.

(IV) Renting out/De-hiring of excess shortage capacity.

(V) Reduction of gunny costs by using once used gunny for procurement of paddy and by making purchase through open tender.

(VI) Reduction of procurement cost by Direct Procurement.

(VII) Reduction in Arthiya Commission, Purchase tax and other statutary charge.

(VIII) Reduction of Establishment cost by rationalised deployment of manpower & outsourcing of non-critical activities such as security, housekeeping etc.

(IX) Improving efficiency by implementing a management Information System that tracks key performance indicators and provides accurate operational data necessary for effective decision making.

(X) Reduction of Labour cost by Increasing handling norms, Redistribution labour across depots for better match of handling load and labour availability, identifying surplus labour and developing targeted VRS & preventing departmentalization of DPS and Contract Labour.

(XI) Advance payment to state agencies against Central pool procurement to reduce interest cost.

Rise in wheat prices

1222. SHRI A. VIJAYARAGHAVAN: Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

(a) whether wheat prices in southern States especially Kerala and Karnataka have risen heavily during the last three months;

(b) if so, the reasons therefore and the steps taken to control it;

(c) whether wheat stock dropped below buffer norms during that period;

(d) if so, the reasons therefore and the quality of wheat stock during the last four years, year-wise;